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CAFTA Holds Promise for City

By Henry Cisneros

Since our city's founding by settlers from the Canary Islands in 1731, San Antonians have understood the importance and value of trade. The ability to freely trade goods and services with neighbors near and far has not only been an integral part of our history but is also a key to our future.

As immigrants or children of immigrants, many San Antonians recognize that global trade is not just about sharing products. It is also about sharing ideas, culture and talents through travel and commerce. Understanding this, our community has always been at the forefront of efforts to knock down barriers between ourselves and others around the world. This was evidenced by the San Antonio civic and business leaders who were omnipresent during the debates on the North American Free Trade Agreement in both Washington and Mexico City more than a decade ago.

Today, the Dominican Republic-Central American Free Trade Agreement, or DR-CAFTA, lies before us as the next critical step toward opening the world's markets and continuing the positive benefits brought about by NAFTA.

As a member of the Kissinger Commission on Central America in the 1980s, I visited each of the nations of Central America. In the intervening years I have watched as Costa Rica, El Salvador, Honduras, Nicaragua, Guatemala and the Dominican Republic have strengthened their economies and now represent the United States' second largest export market in Latin America at nearly \$15 billion per year, second only to Mexico.

DR-CAFTA will level the playing field for U.S. products and expand this trade relationship exponentially. Much of these economic gains are expected to particularly benefit small Hispanic owned businesses.

Today, 80 percent of DR-CAFTA exports to the United State enter duty-free. The agreement will lock these benefits in for Central America and the Dominican Republic and expand on them, helping to foster U.S. investment in the region. But more important, more than 80 percent of U.S. consumer and industrial goods will become duty-free immediately, with remaining barriers phased out over 10 years. The result will not be job losses, but growth in jobs, particularly the higher paying jobs associated with exports.

In 2004, Texas exports to Central America totaled more than \$2 billion. In the first year, DR-CAFTA is expected to have a net positive impact of more than \$620 million to the Texas economy, resulting in more than 3,000 new jobs. By the 10th year, the agreement will have a net positive impact of \$4.3 billion and create in excess of 16,000 jobs.

San Antonio and South Texas will also benefit. In the first year of DR-CAFTA, more than half of South Texas farm and ranch products will obtain duty-free status. Estimates are that these farmers and ranchers will enjoy an increase of \$60 million in exports to Central America in the first 10 years of DR-CAFTA.

Today, nearly one-third of all U.S. exports to Central America are textile-related products such as cotton. Because South Texas is one of the most significant producers of cotton in the nation, DR-CAFTA is critical to our region's cotton growers.

For San Antonio, the agreement will particularly benefit our strong services sector, including such industries as telecommunications, construction, engineering, financial, legal, medical and pharmaceutical manufacturers. The new supplier firms attracted to support the Toyota plant, for example, can increase employment here as demand for the products they produce grows in Central America. Reduced barriers are one of the DR-CAFTA's most significant benefits.

In addition, as San Antonio continues to develop and position itself as an inland port and center for international commerce, the growth in trade between the United States and Central America under the DR-CAFTA will create new opportunities for San Antonio to attract foreign and trade-related investment. San Antonio's strategic location, bilingual/bicultural work force and cost-competitive business climate make it ideally suited to attract many new DR-CAFTA-related distribution/logistics activities.

I can envision a time when San Antonio's unique international assets and institutions will allow us to become the regional hub for higher education, professional training and biomedical relationships with newly prosperous Central America cities. These are solid local reasons why the San Antonio Free trade Alliance, the Greater San Antonio Chamber of Commerce and the San Antonio Hispanic Chamber are supporting the Central American Agreement.

The agreement also represents an important milestone in U.S. trade policy. Learning from the challenges resulting from NAFTA and other agreements, U.S. negotiators have crafted the most responsible and state-of-the-art trade pact ever. DR-CAFTA requires our partners to effectively enforce their labor and environmental laws, which are already in line with international standards.

Critics allege that the agreement does not stipulate International Labor Organization guidelines, but five of the nations already are signatories to all relevant ILO standards. The real challenge is enforcement, and under provisions of this agreement, failure to enforce will result in monetary penalties, which will be used to remedy violations. Continued violations could result in the loss of preferential trade benefits afforded under the agreement. No other trade agreement has such innovative mechanisms designed to ensure the improvement of labor and environmental standards in partnering countries.

Even sensitive sectors such as sugar have been handled with great care under DR-CAFTA. Under the accord, DR-CAFTA partners will receive a very small expansion of

their annual quotas for exporting sugar into the United States. In fact, the expansion is equivalent to one day's worth of U.S. sugar production.

Finally, there is a geopolitical case for DR-CAFTA'S importance to U.S. economic interests. Passage of a Central America trade agreement would underscore the reliability of the United States as a partner in the development of Latin America, just when regional leaders such as Hugo Chavez of Venezuela are raising the intensity of anti-American rhetoric.

The Dominican Republic-Central American Free Trade Agreement will expand the positive benefits brought about by NAFTA and bring us a step closer to developing a free trade area for the entire Western Hemisphere. It will incorporate protections for workers and the environment. Most important, for residents of San Antonio and South Texas it will create new jobs and economic opportunities.

Henry Cisneros is a former mayor and the CEO of American CityVista.